

## **Testimony to the Committee on Agriculture**

**Curtis R. Hennings, Dryland Crop Producer, WA State**

Ladies and Gentlemen of the Committee, thank you for the opportunity to offer you my views on current and future farm policy; in somewhat of a bullet point fashion.

I am here to present my input to you today as mine alone, although I have cast my net far and wide seeking input. I firmly believe that past and current farm policy has fallen short of the mark in preserving a vibrant and forward looking agricultural sector. We've spent way too much time farming the farm programs and far too little time farming the marketplace, and to be competitive with my neighbors, so have I. I truly believe that the federal government should gradually ease away from any type of commodity linked payments and serve in the role of a market solicitor and market enforcer instead. Gradually is emphasized, because to do otherwise would wreak havoc in the agricultural community. New Zealand saw a 300% increase in rural suicides when they went cold turkey on agricultural subsidies, besides the damage done to the rest of the agricultural infrastructure. We as a nation can't afford for this to happen.

The counter-cyclical safety-net program, however well intentioned, has enough holes in the net that a record number of PNW producers are falling through and either drowning in red ink or bailing out for survival. The USDA chose to set separate loan rates on every class of wheat, our major crop, at different levels for every class. I can understand this thinking, but when you calculate counter-cyclical payments on the average price of wheat nation wide and there is a \$1.50 price difference between classes, some are thrown a life preserver and others are left to tread water. In all fairness though, the price disparity is greater now than in most years because those receiving the high prices hardly have a crop to sell and those with a decent crop don't have a high enough price to turn a decent profit, if a profit at all. The safety net really doesn't seem to be functioning for this vital piece of the American food infrastructure.

CRP, otherwise known as the Codgers Retirement Program, has done more than even Wal-Mart, to destroy the economic infrastructure of our region. CRP had a head start. I am a strong proponent of conservation, as many civilizations have met their demise as their productive base was eroded away, but this program has run amok with the mismanagement at the hands of NRCS. Whole farm bids should not be allowed as they more often than not include land that is not highly erodible, and virtually eliminate the monies received from recirculating in the local economy. Retired farmers don't buy inputs and often leave for a good portion of the year, taking their money elsewhere. One farm was recently accepted as a whole farm bid, beautiful ground, 3000 acres, very productive, community of about 250 people. Imagine what a loss of at least \$300,000 is to that community. CRP and rural development can go hand in hand, or they can work at cross purposes to each other. Go ahead and keep the 25% of a county cap if need be, but also cap enrollments at 25% of a farm. CRP rental rates need to reflect productive value, as there isn't a single person that I know who makes their living from production

agriculture that can compete with the federal government for land. CRP pays close to 2X the productive value for ground.

The Jones Act. Attached is a one page white paper on the failings of the Jones Act. If we as production agriculture are expected to compete on the world stage for market access, why is it that our own government essentially limits our access to affordable fertilizer, natural gas, and transportation to domestic markets with an antiquated law that actually hurts the maritime industry that fights tooth and nail to keep it in place? At what point does the union bravado stop supporting a law that keeps hundreds, if not thousands, of jobs from going off shore and brings them home again. If the U.S. maritime industry doesn't have deepwater vessels to ship fertilizer, natural gas, oil, or any other product from state to state, the least you can do is exempt these products from the Jones Act.

There is an economic principle that says, "Farmers will bid land to the point of marginal returns", and that is true. I will also create my own principle, "The agricultural input industry will squeeze farmers to the point of marginal return if they know the amount of money available." Unfortunately, farm program payments are factored into virtually everything farmers buy, whether it is a combine, seed, seed treatment, or a crop protection chemical. Farm program payments are also an escalating factor in land values, and land values are one of the factors that make us (US) a high cost producer of food products on the world stage.{Sensing a vicious cycle here?}

Paradigm shift. Big Brother is now a term that means the one that goes out of his way to make sure that the bully doesn't keep you from swinging at the ball or trips you before home plate. A vital agricultural sector is one that has access to multiple markets, options, no guarantees necessary. An easy example is the RFS that was recently implemented here in Washington State. The farmers of this state have been given to opportunity to grow crops for bio-diesel and ethanol, not a mandate but an opportunity, as at the end of 2007 the state will require blends of each in our fuel. If we do this we will introduce crop rotations, diversify crops, reduce pest problems, reduce risk, and reduce the amount of a crop that is currently overproduced.(SW wheat, price elasticity) To carry this thought further, Big Brother now creates a market for all kinds of bio-fuels and bio-based products and acts as an umpire, making sure that the new products division of American Agriculture has at least equal access to the market place. A vibrant agricultural sector of any economy is one that is in a full production mode and able to shift output as the needs of the economy dictate. If we have the industrial sector and the food sector competing for land usage, agriculture will be strong and able to meet the needs of our nation. How many of you have taken the time to look at the quote above the old Dept. of Agriculture office in the capitol building; (WHEN TILLAGE BEGINS OTHER ARTS FOLLOW, THE FARMERS THEREFORE ARE THE FOUNDERS OF HUMAN CIVILIZATION.) Daniel Webster, 1840

Research is vital, we have to keep leading, lest we fall behind. No other nation has contributed more to feeding the world than the U.S.A. Basic and applied research is vital to all aspects of our competitiveness, don't let short term budget issues blind you to where we need to be 10 years from now.

Last , but not least, we are sending way too much money to countries and people that would like nothing more than to see us fall on our face and fail. To every extent available in your power, do what you can to strengthen us here at home and give us back the independence this country was founded upon.

Thank you,

Curtis R. Hennings

Heading: American agriculture has a last chance, but not a lost chance.

American agriculture is operating in a strange and dangerous dichotomy. The independence that makes us strong as individuals may very well serve to be our undoing on state and national levels. The individualism we enjoy makes us weak as a group if we can't cast it aside when speaking for the good of the whole industry. Mixed messages to Congress and other groups only leaves them confused and without clear direction, something we can't afford. All too often it seems agricultural organizations get involved in turf wars and forget that to the rest of us, it's all common turf.

In reality, probably only about half of one percent of the U.S. population qualifies as commercial-level farmers. We're likely the smallest minority in the U.S. As such, according to a U.S. senator I talked with recently, "Either you get it together, united as the U.S. farming industry, or U.S. farmers will suffer."

Why is this comment so important? Because we are inherently joined to Congress, that body of government whose responsibility is to look out for our interests in international trade and help us through the natural up-and-down cycles with farm programs. We have essentially one last chance to work together to continue that important relationship, or budget concerns will leave us in the dust. What is lost is seldom regained. The many separate, special interests that are tearing at each other, rather than uniting under the umbrella of American agriculture, will be our undoing.

The wheat industries of Washington State, and indeed the nation, are no exception to these battles. In fact, many other types of agricultural producers feel we wheat growers are at the head of the turf crowd. This column is not meant to denigrate anyone, but it is important that we in the state of Washington recognize that we have the opportunity and ability to pull together and set an example for the rest of American agriculture. It's not just the grower groups that come into play here, because every part of our industry is intertwined. Everyone—exporters, warehouse companies, input suppliers, producers, and more—needs to look beyond their own boundaries to make a difference in adding revitalization and health to our industry. It was Ben Franklin who said, "We must indeed all hang together, or most assuredly, we shall all hang separately." And we are indeed now expiring separately.

In 15 years, the number of wheat producers has been reduced by almost half. Half! The industry as a whole is not only unhealthy, but also shuffling towards extinction. And, to a large degree, it is because we haven't acted in a united manner. We have invited disaster on ourselves. Not a drought or hail storm, but a growing disconnect from Congress, the very group that represents the interests of Americans, and knows it is wise to help agriculture through drought, hail storms and more.

We must put a halt to the turf wars and unite on common ground. The philosophy that should be adopted immediately for the survival of producers—and all others dependent upon and supporting them—is this, "If one of us is bleeding, we'll all end up bleeding."

We must come to a consensus now. Then we must visit our congressional delegates as a united industry and ask them not to abandon a decades-long relationship—a relationship that benefits all the American people.

Heading: Research is under the knife

A philosopher once made the observation, "A man with a full stomach has a thousand problems; a hungry man but one." We can only hope those who have become complacent realize the value of American agriculture long before they become hungry.

Over the last couple of years, in visits with researchers from several state universities as well as USDA, there is an obvious thread of concern, even alarm—lack of support for research funding. Clear evidence of this was once again reflected in the sharply higher funding requests to the Washington Wheat Commission (WWC) for research projects.

Support for research seems to be fading fast at both the state and national levels. At the state level, support for technicians has declined and recently the Washington State University (WSU) research facility request took a back seat during the legislative session. At the national level, the President's budget proposes to eliminate funding for programs that provide "base" research funds for land grant universities through reductions and elimination of Hatch funds and other funding programs. This drastic reduction in financial support will severely weaken what our industry, and all U.S. citizens, has worked toward for over a century to accomplish—a safe, secure and stable food supply.

Eliminating research funding will severely impact agriculture and eventually export our agricultural industry overseas, resulting in U.S. dependency upon foreign food sources. I am concerned that ultimately, farmers and the food security they provide are both placed at risk if our production capability and competitiveness is weakened by lack of support for research.

We need stronger support for our food and fiber industry, not less. The Hatch research funding targeted is crucial to our land grant universities and USDA-Agricultural Research Service (ARS) Units, including the Western Wheat Quality Laboratory in Pullman, Washington.

As a united wheat industry, we have demonstrated repeatedly a commitment to partnering with both state and federal funding sources to shore up crucial funding for research. Washington wheat growers, through the WWC, contributed nearly \$1 million last year to WSU for vital research, and a large portion of those funds went to USDA-ARS scientists. That amount is likely to rise again this year.

As I look at my operation, it is clear to see that research is helping me be competitive. Thankfully, semi-dwarfs and disease resistance are part of the package when I buy my seed. Research into diseases and pest control, production practices and reduced soil erosion, variety development and quality attributes are examples of research, basic and applied, that is the lifeblood of our industry. We are not alone. Every agricultural crop produced in the state of Washington relies on research. The WWC will continue to fund essential research, however, it is leveraged funds that create success when it comes to research.

In a recent letter to officials in Washington, D.C., the WWC highlighted the benefits of research and the savings for both growers and consumers from the work accomplished through research funding. There is no doubt that the ripple effect of research extends far beyond the local producer. In Washington alone, wheat production contributes over \$1 billion to the state's economy, and for every bushel of wheat produced, nearly \$8 in business

activity is generated. The true benefit from research for agricultural crops is a safe and abundant food supply.

The annual rate of return to society on research dollars has been documented to be approximately 50 percent. These research dollars contribute to helping the nation fight bioterrorism; provide a healthy, safe, plentiful and secure food source for our citizens; and endeavor to provide a cleaner environment. Now is not the time to be making severe cuts to funding.

I urge each producer and each person who depends upon a producer for the food they eat, to step up to the plate and speak out for critical research dollars at our land grant university and the ARS unit at Pullman.

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Curtis Hennings

Heading: Challenges foster ideas

Over the last several months I've had a number of well established farmers who own their ground asking me how are we going to survive the escalating costs of production. I really couldn't give them an answer because I haven't figured that out for myself. The question did make me think about the producer who's leasing ground and bearing all of the production costs. Many traditional leases fail to address the ever-increasing costs of production. How is he going to have a chance to succeed?

As producers, we like to think of ourselves as a very independent lot, but the last year has shown just how dependent we are. We are so energy dependent that it can be frightening. Energy is needed for fieldwork; to produce and haul our fertilizers; to produce and deliver equipment and ultimately deliver our products to the end user. Energy is needed to produce lubricants and parts and even service calls are energy dependent. When all is said and done, a large portion of the cost for everything we need to survive including food, water and shelter is energy dependent. Maybe the best road to financial survival is to find alternatives to some of our energy consumptive practices. I personally believe that the time has come to think outside the box - way outside.

For example, take production practices. I've had a couple of different agricultural foreign exchange students on the farm over the years and they have had others come to visit them. The best part of the experience for me is the constant questioning of why we use certain farming practices. Most of the time I could give an answer, but the times that I couldn't made me evaluate why I was doing something the way I was.

One question was: "Why spend so much money on weed control when you can use a harrow much more cost efficiently?" I answered that we cause disease problems when we harrow wheat. His response was that if you had rotations the disease issue would disappear and you would have more options from which to choose – a point well taken. Maybe we should look back at the old science that was practiced before all of our weed, insect, disease and fertility issues were addressed by the petrochemical age. Let's not throw out the new, but maybe we should look at hybrid systems that blend both and

give us a competitive advantage again. Face it, we're no longer the low cost producer and the rest of the world could care less about our costs of production.

I strongly believe that a paradigm shift is in order. For example, what is needed in our region that is currently being imported from other regions of this country or from outside our borders. One obvious answer is feed: whether it be poultry, cattle, horse, hog or bird food. A vast majority is imported at an ever-increasing freight rate that actually makes us more competitive as suppliers.

Suppose 25 percent of the land in the PNW produced in rotation, broadleaf crops such as canola, sunflower, peas or others. It would only decrease the supply of wheat out of our region for at the most two years, because at that time the rotational benefits will have expressed themselves.

The long term rotational research that has been done shows that wheat after most broadleaf crops produces 20 to 25 percent more than wheat after wheat; wheat after barley, 11 percent; and wheat after triticale or oats several percentage points greater than barley. You have the same number of acres and more crop to sell, less overall input costs because one crop helps clean up the other crop of diseases, weeds and insects, and your harvest and price risk windows are spread out. The downside, however, is that there will be more management time and a learning curve to familiarize oneself with other crops. However, these other crops have established markets, and your marketing skills will increase exponentially.

The WWC has set a course for itself to focus on increasing the financial health of our producers. What would happen if we focused some of our efforts on alternatives that enhance the cost effective production of wheat and put several more dollars in our producers pockets.

The other request that I would like to make is to implore the research community to step outside of their comfort zone and share observations with the grower community if something looks noteworthy. For a researcher to say, "I think I'm seeing this" gives us a heads up, doesn't carry legal liability, and might go a long way to enhancing our survival as producers. After four or five years you can still publish statistically proven results, but for someone you might have helped it may be too late. Please take no offense by this, but we're all in this together and we trust your observations and appreciate any help you can give whenever you can give it.

We have challenges ahead, but we're up to them. To paraphrase an often used quote, those who say it can't be done eat the dust created by others doing it.

## **The Jones Act**

By Randy Suess, WAWG P.I. Committee, Chairman

Deregulation of industries has occurred almost everywhere, except in the Maritime Industry. Trucks, airlines, and interstate buses have all been integrated into a system that is more productive and provides better service. The Jones Act is one of the last holdouts to free trade in the transportation sector.

The act came about in 1920, and required goods transported between U.S. ports are carried only on vessels built, owned, and operated by the U.S. No other form of transportation has such restrictions. If competition leads to economic growth and innovation, why hasn't this Act been amended? Part of the answer lies in a tradition of protectionism dating back to the founding of the nation. The standards were intended to support a merchant marine for economic growth and support of national defense. Even with these measures, the American-flag merchant marine trade has declined. It is time to revisit this issue and see if there is a more equitable way to meet the defense needs of this country, and right the wrongs that have occurred.

Things have changed. Foreign-flagged carriers and U.S.-flagged foreign fleets have improved their technology and productivity, resulting in lower costs. Domestic carriers have the highest cost of any fleet in the world. Has the industry concentrated too much on protecting its status, rather than investing in cost-saving, productivity enhancing strategies?

Reform of the Jones Act could result in three benefits. First would be lower costs of transporting goods. It would create new domestic trading opportunities, and reduce imports in some manufacturing sectors. Studies by the International Trade Commission have shown an economic benefit of \$10 billion annually. The second benefit arises from more efficient use of existing resources, more transportation options, and increased competition with truck and rail. This will give domestic shippers, more options, and better service at lower costs. The third benefit is an increase in commerce will produce more jobs. A job shift may occur to other maritime sectors, but the domestic waterborne industry should rebound and become a vital force.

Studies by the Congressional Budget Office have shown that the protectionist policies costs consumers and manufacturers. The reduced options and higher prices of the Jones Act is a non-tariff barrier to free trade.

Some specific examples that affect farmers and ranchers, illustrate the importance as to reform. Flour mills in Hawaii import Canadian grain because the cost to transport it on foreign-flagged vessels is less expensive than getting the wheat from Portland or Seattle on a U.S. bottom. This is locking Pacific Northwest farmers out of our own market.

Getting fertilizer from Alaska to the lower 48 states is impossible. There are no U.S. bottoms to deliver the fertilizer, even though the cost of the fertilizer there is almost one-



half the cost. This is essentially providing fertilizer to foreign countries cheaper than American farmers can get it. Does this seem right?

If the best defense for the Jones Act is a military defense argument, then why has there been a decline in the domestic deepwater transportation industry. As Sen. John McCain put it, "I think most people would agree that the U.S. military aircraft-manufacturing base is vital to the national security of the U.S. Similar to naval shipbuilding, military aircraft production has declined in recent years. Yet, domestic commercial air carriers are allowed to own and operate foreign-built aircraft in the domestic trade. Domestic rail and motor carriers are also allowed to use foreign-built trains and trucks."

There is a need to allow foreign-flagged vessels to operate in the domestic deepwater trade, after they comply with safety regulations and other requirements placed on other companies doing business domestically. There is also a need to permit foreign investment in U.S. flagged carriers. This will allow the maritime industry and its customers renewed prosperity, by freeing the industry from restrictions.